

## Reporting Michigan – With scandals plaguing other states' efforts to lure Hollywood, Senator Cassis wants more transparency with Michigan's film program

After two states had scandals rock their tax incentive programs meant to lure Hollywood, Senator Nancy Cassis is uncomfortable that Michigan's incentive program is kept confidential.

Cassis, a Republican from District 15 which covers Oakland County, introduced Senate Bill 796 last month that would require the Michigan Film Office to reveal the information submitted by a production company for reimbursements for tax credits. She said she expects it to be voted on by Jan. 1.

The film incentive program became law in April 2008. It has brought some of the biggest names in Hollywood to the state, from Clint Eastwood to Drew Barrymore. It estimates that 35 completed film projects in 2008 brought in \$125 million in expenditures and nearly \$48 million in tax credit reimbursements was paid out by the state. Michael Shore, spokesman for the Michigan Film Office, said the state law says it is illegal to reveal the tax filings or any tax information for any Michigan taxpayer including those receiving film production incentives.

Cassis said she wants to change that as legislators are aware of the problems similar programs have had in the U.S.

In Louisiana, the director of the Governor's film and television office pled guilty to conspiracy and bribery charges in 2007, according to the U.S. Department of Justice. Mark Smith, former director of the Governor's Office for Film and Television Development, was accused of taking \$67,500 in cash from a former law school classmate in exchange for \$1 million in tax credits to that classmate's film company.

In Iowa, Governor Chester Culver suspended that state's film tax incentives program last month. Culver stated in a letter he sent to the Iowa Economic Development Board that he was troubled that "there have been insufficient procedures in place to assure a full and accurate accounting of expenditures...."

Mike Tramontina, the director of the Iowa Department of Economic Development, resigned Sept. 18. The Des Moines Register reported this month that a criminal probe has been opened into the operations of the Iowa Film Office. The newspaper reported that unidentified film makers claimed expenditures as high as \$650,000 that should not have been approved. There were also other questionable expenses.

Cassis said her bill is not to imply there is something improper going on Michigan, but is just being proactive.

"Tax payers are subsidizing this refundable credit," Cassis said. "They have a right to know ... if it is creating jobs and raising revenue or if it is a drain on state revenues. There is no oversight now. They are not giving us the type of information that would help us make good decisions. There is no question (legislative) oversight has to occur.

"Someone has got to mind the hen house here."

Janet Lockwood, director of the Michigan Film Office, said in an e-mail there are many procedures in place to make sure the problems in other states don't happen in Michigan.

Lockwood listed many of the rules:

- Anything purchased must be either donated to a charity at the film's conclusion or pro-rated for use in Michigan. She wrote that cameras have been purchased in one or two cases but had to pro-rate for Michigan.
- Nothing described as "personal" is allowed. For example, if an iPod was purchased it would need to be donated or pro-rated at the end of filming.
- Lockwood said one film company had an auction of movie memorabilia in Michigan and donated the money to the local food bank in the Grand Rapids area.
- Lockwood said her office would consider catered meals on sets as eligible. But she said alcoholic beverages are never served on sets to her knowledge and if purchased would not be eligible for the tax credits.
- The cost of renting production office space and rental cars from established agencies are eligible. The rental of camera and lighting and sound equipment is also covered as is the cost of rent for a house or an apartment for an actor staying in town.
- Vehicles are covered as long as they are in the movie. "We have allowed the purchase of numerous cars, all of which met a bad end on film," Lockwood wrote.

- No expenditures are eligible unless they are made in Michigan.
- The state requires audits by independent Michigan certified public accountants at the end of the filming period before anything is considered for a refundable tax credit.

